REVIEWS

Costs, Merchandising Practices, Advertising and Sales in the Retail Distribution of Clothing, by Northwestern University School of Commerce Bureau of Business Research, Horace Secrist, Director. New York: Prentice-Hall, Inc. 1921. 6 vols. 622 pp.

Much information of value to the consumer, to the retail clothing merchant, and to the student concerning the items of expense and merchandising practices in the selling at retail of men's clothing is revealed in the six volume report of the Northwestern University School of Commerce Bureau of Business Research, of which Professor Horace Secrist is director. This is the first study to be published of the retail distribution of clothing.

The inquiry was made in coöperation with the National Association of Retail Clothiers and included the years 1914, 1918, and 1919. Questionnaires were sent to all of the members of the association and replies were received from 569 stores, about 10 per cent of the total association membership. Not all of these stores reported on all items included in the questionnaire, which covered in much detail all aspects of the retail clothing business except profits. To utilize to the utmost the data received, Professor Secrist has considered separately each portion of the questionnaire relating to a particular item. He has taken, for example, rent, and has tabulated the data from all stores reporting on this item regardless of whether or not they reported on other items in the schedule. Thus, 415 stores reported on total sales in 1919, although the number of stores giving information on other important items was somewhat less.

Analysis of the data for 1919 showed an average expense of \$2.20 per \$100 of net sales for rent; \$11.93 for wages and salaries; \$5.16 for "general expense," which included expenditures for light, heat and power, depreciation, local and state taxes (but not federal taxes), interest and borrowed money, bad debts charged off, etc.; \$1.98 for advertising; and \$21.49 for total expense.

The report is not confined to an analysis of cost information, but deals also with such matters as sales per unit of floor space, number and value of suits sold, sales of furnishings in proportion to clothing, returned goods and charge sales, purchases in relation to inventory, stock turnover, mediums of advertising used, and building and equipment of retail clothing stores.

The purpose of this inquiry was in the main a very practical one. The aim was to establish, for the guidance of retail clothing establishments, on the basis of the data collected, "standards of excellence by which merchants and others may know whether costs are excessive or merchandising practices sound." The question arises whether the statistical method employed in analyzing the data is the best one for the purposes of the study made. Is the standard or norm which is to serve as a guide for retail merchants to be the experience which is the most common, *i. e.*, the mode, or that of the most efficient operating establishment, or the arithmetical average of the stores reporting?

Professor Secrist has answered this question by placing all or practically all of the emphasis on the average in his statistical analysis. In the discussion of the item of rent, for example, there are 35 tables of which only two are frequency tables. Similarly, in the discussion of wage and salary expense there are 33 tables giving averages only, and but two frequency tables. In the summary discussion at the beginning of the volume relating to rent, wages and salaries, the discussion of conclusions is based wholly on the average figures. It is true that in the introduction the author calls attention to the value of other statistical devices in analyzing data. After stating that the data relating to amounts of expenditures and the relations which they bear to sales may be used in full confidence, Professor Secrist states that "this study . . . is a study of statistical frequencies with which given relations between items of expense and the conditions determining them are encountered. Such a method of study develops the average, the common and the extreme conditions which prevail."

The admirable method of study thus outlined is not, however, adhered to. Although the study includes 1918 and 1914 experience as well as 1919, the few frequency tables given in the discussion of rent, general expense, wages and salaries, and total expense refer only to 1919. There are no figures other than average figures given for either 1918 or 1914 concerning these items. Moreover, it is highly questionable whether the average figures for 1919 are representative of the data. Considering first the four main items of store expense—rent, wages and salaries, general expense, advertising—in no instance does the mode correspond to the average, and only in the case of one item, wages, does the average fall within the second largest group of frequencies. In the case of "total expense" the average reported is $21.49. Of the 399 stores reporting total expense in 1919, the total expense reported by 141 stores falls in the grouping $15 to $20, and 231 stores (59 per cent) report less than $20.

The figures for 1919 are as follows:

Item of expense	Number of stores reporting	Expense per $100 of net sales			
		Average	Mode	Second largest group of frequencies	Median
Rent.............	393	$2.20	94 at $1.00–$1.50	88 at $1.50–$2.00	220 under $2.00
Wages and salaries..	378	11.93	103 at 7.50–10.00	90 at 10.00–12.50	261 under 12.50
General expense....	351	5.16	69 at 3.00– 4.00	58 at 4.00– 5.00	216 under 5.00
Advertising........	367	1.98	90 at .50– 1.00	85 at 1.00– 1.50	205 under 1.50
Total expense......	399	21.49	141 at 15.00–20.00	93 at 20.00–25.00	231 under 20.00

In the summary to Volume III in the discussion of the item of total expense no mention is made except of average figures, and the discrepancy between the average figures and the common experience of retail clothing establishments is not noted. The comment on tables 81 and 82, which give the frequency distribution of stores reporting classified amounts of total expense per $100 of net sales, is as follows: "Table 81 is introduced to support the average figures shown in table 78. Just how accurate is the average total expense per hundred dollars

of total net sales for each of the group of stores as given in table 78, is revealed in the details of table 81." The entire discussion of the frequency table occupies less than half a page, and it is hardly probable that even the most enterprising retail merchant would disregard the conclusions of the conveniently placed summary and the ten pages of discussion placing emphasis on the average as the standard and substitute the different conclusions which would be made from an analysis of the frequency tables. The treatment of other frequency tables is similar to that of table 81.

In addition to compiling the average expense for various items from reports received from all stores reporting on that item for any particular year, Professor Secrist submits separately the average expense for identical stores which reported for all three years. In general, it may be stated that the averages for identical stores lead to the same conclusions as those based upon the figures for all stores from which reports were received. An error seems to have been made, however, in noting the number of stores reporting for 1914. For example, it is stated on page 107 that only 229 stores reported on rent for 1914. Yet on page 108 it is stated in table 3 that 268 identical stores reported on rent for all three years — 1914, 1918, and 1919. A similar error is made in the discussion of wages and salaries, general expense and advertising. The number of "identical stores" reporting for all three years is greater than the number of all the stores reporting similar data for 1914, although in the latter group are included stores reporting for 1914 but not for other years.

One very important matter not treated at all in the report is that of profit. In this as well as in other respects the report differs from the Harvard studies on retail businesses. However, it is possible in a general way to determine selling margins and profits from facts already made available by the Department of Commerce in its study of the Men's Clothing Industry in 1915, and from the data in the present report. In its report on the Men's Clothing Industry, the Department of Commerce tabulated the retail selling price and the wholesale price of some 144 suits of clothing manufactured by establishments under investigation. The relation between net wholesale price and retail price varied considerably in the case of various models. However, in the case of 79 out of the 144, the net wholesale price represented between 60 and 65 per cent of the retail price. The net wholesale price was less than 60 per cent of the retail price for 25 cases and in 40 instances over 65 per cent of the retail price. In more than two thirds of the cases falling within the group of 60 per cent but less than 65

RELATION OF NET WHOLESALE PRICE TO RETAIL PRICE OF MEN'S CLOTHING FEBRUARY, 1915

(Based upon the report of U. S. Department of Commerce, "The Men's Factory-Made Clothing Industry," Misc. Series No. 34, pp. 89–92)

Number of suit styles	Per cent the net wholesale price was of "usual retail price"
10	Under 57.5
15	57.5 but under 60
55	60 " " 62.5
24	62.5 " " 65
25	65.0 " " 67.5
15	67.5 or over
Total 144	

per cent the net wholesale price was less than $62\frac{1}{2}$ per cent of the retail price. It might therefore be considered that in general the net wholesale price was approximately $62\frac{1}{2}$ per cent of the retail price. The selling margin, then, early in 1915, was approximately $37\frac{1}{2}$ per cent of the retail price.

When comparison is made between merchandising expense in 1914 and in 1919 it is observed at once that in 1919 every item of expense was lower than in 1914. In 1914 the total expense averaged \$24.56 out of every \$100 of net sales. In 1919 the average was \$21.49.

AVERAGE EXPENSE PER \$100 OF NET SALES FOR RENT, WAGES AND SALARIES, GENERAL EXPENSE, BUSHELING, ADVERTISING, TOTAL EXPENSE, 1919, 1918, 1914

Average	Rent	Wages and salaries	General expense	Busheling	Advertising	Total expense
1919	\$2.20	\$11.93	\$5.16	\$2.57	\$1.98	\$21.49
1918	2.89	13.14	5.85	2.77	2.04	23.69
1914	3.57	12.91	5.68	2.76	2.51	24.56

The mode for total expense in 1919 was between \$15 and \$20 per \$100 of net sales. No figure is given for the most common experience for the total expense for 1914, but on the basis of the average figures for total expense and for each item of expense, it is clear that merchandising expense in 1919 was much less than in 1914 per \$100 of net sales.

If we assume that the selling margin in 1914 was $37\frac{1}{2}$ per cent and that the total expense was roughly 25 per cent on the average, the net profit was roughly $12\frac{1}{2}$ per cent of net sales.

Selling margins during the year 1919 when prices were rising were undoubtedly fully as large as they were in 1914, yet much was said about the higher expenses of the retailers—rent, wages, general expense—as being at least in part the cause of higher prices. The figures of Professor Secrist, however, show distinctly that in every item of expense the proportionate cost of doing business was less in 1919 than it was in 1918 or in 1914. In fact, the cost of doing business in 1919 was less by $12\frac{1}{2}$ per cent than it was in 1914. The effect upon net profits was undoubtedly even greater.

H. K. Herwitz

Prices and Wages; An Investigation of the Dynamic Forces in Social Economics, by Percy Wallis and Albert Wallis. London: P. S. King and Son. 1921. 449 pp.

The authors have devoted this large book to an attempt to prove a single economic proposition, namely, that the average price of commodities is determined by the labor time involved in their production relative to the labor time involved in the production of gold in which their price is measured. This theory is an old one and is the chief part of the Marxian doctrine, but the present book attempts an advance in two important respects, first, in offering a new ex-